

Endace

From start-up to world leader

TechNZ supports the information and communication technology sector to develop software and hardware solutions for new products and services. Up to \$50 million is invested each year in New Zealand businesses to grow world-class companies through innovative technology.



The Company

Endace Limited began as a Waikato University research project and is now a world leader in network traffic monitoring technology. The technology allows 100 per cent of network traffic to be captured, scrutinised and analysed, ensuring integrity, security and performance of networks without any system slowdown. Customers include international financial institutions, government agencies and telecommunications providers. Endace sells into more than 30 countries, with the US currently accounting for around 60 per cent of sales. In 2005, it became the first New Zealand company listed on the London Stock Exchange's Alternative Investment Market (AIM). Its 2008 market value is approximately NZ\$170 million.

The Research and Development

In the late 1990s, the former head of computer science at Waikato University, Dr Ian Graham, developed a way of accurately measuring how different kinds of traffic, such as voice, information or video data, would perform on the Internet.

"Those were the days when the world was being told our entire lives would be conducted online," says Endace CEO Mike Riley. "There was real concern globally about security and performance once a huge range of information was sent via this fluffy cloud called the Internet."

When Dr Graham realised he'd come up with something world-leading, he found investors and development partners, and Endace went into business, with Dr Graham as its Chief Scientist.

In 2002, TechNZ – the Foundation for Research, Science and Technology's business investment programme – made its first investment in Endace and has since contributed more than NZ\$1.8 million to the company's research and development.

“ Endace has made a significant return to the New Zealand economy, paying NZ\$10.5 million in tax in the last five years, creating 120 jobs in the high-tech sector and offering employment that has brought highly skilled Kiwis home from overseas. ”



Fact File

Location:
Hamilton/Auckland

Staff: 100 mostly in
New Zealand with sales
staff in Europe, Asia and
the United States

Exporting: Accounts for
more than 98% of revenue

**First TechNZ
investment:** 2002

**Value of TechNZ
investment:** More than
\$1.8 million

**Return to New Zealand
economy:** Created more
than 120 jobs

Above top: Endace CEO Mike Riley.
Above right: Dr Ian Graham discovered the
technology behind Endace.

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New Zealand Government

“ Even though Endace is now in a better position to completely fund its own R&D, having government investment encourages us to keep innovating. A farmer can't leave New Zealand, but a high-tech company can. It's important to give them reasons to stay, and government risk-sharing in R&D is one of those.”

Mike Riley, CEO, Endace Limited

TechNZ supports the information and communication technology sector to develop software and hardware solutions for new products and services.

“It was clear from the start Endace was commercialising world-leading technology sought after by leading international organisations. In the history of TechNZ investment, Endace has been the fastest growing ICT company (in its first five years from start-up) that we have supported. We kept making investments because it was carrying out leading-edge research and because of its potential for growth and exporting,” says Tom McLeod, Sector Business Manager, TechNZ.

TechNZ investment has helped Endace improve its core technology on three fronts, says Mr Riley.

“Coping with greater network speeds was one. Networks are getting faster, and the range, size and complexity of material on them have exploded. We've had to continually improve our core technology to reflect that.”

The company's R&D has also adapted the core technology for use with a range of network protocols and given it greater functionality.

“That includes the ability to filter traffic and only deliver customers the information they need,” says Mr Riley. “A client doesn't want to know about every Skype session taking place on the network but does want to intercept an email from a suspected terrorist.” Improved load sharing and the ability to clone email traffic to make multiple copies for different purposes are other examples of greater functionality added through R&D.

Most recently, TechNZ investment has helped Endace move from selling DAG cards to providing complete network monitoring solutions, through its NinjaProbe™ and NinjaBox® family of appliances and platforms.

“It means the Endace brand is now prominent on the final product, we earn higher revenues per system sold, and our customers benefit from a significant ease of installing and using our technology. It's turned Endace from being a specialty technology company into a world-class solution provider.”

The Achievements

Endace's technology is being used to monitor networks carrying some of the most sensitive commercial information and government intelligence in the world.

Development of the company's NinjaProbe total monitoring solutions gives Endace access to a worldwide market for network security and performance, judged to be over US\$1 billion, 10 times the size of the market for monitoring cards alone.

Mr Riley estimates that around 38 per cent of Endace's total operating expenditure goes into R&D and 25 of the 40 staff working at the company's R&D operation in Hamilton are focused on creating new intellectual property.

“The government investment has made a significant difference in terms of dollars and technical stretch, encouraging us to push the boundaries and take a bigger step than we might otherwise have done.

“Having the right technology in the right place at the right time was what launched Endace but what's kept us ahead is making sure we understand exactly what our end users want and anticipating what they will need in the future.”

www.endace.com



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New Zealand Government